

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00

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TAGS: PINT, PGOV, UK

SUBJECT: CONSERVATIVE ELECTION PROGRAM EMERGES

1. SUMMARY - IN AN AUGUST 11-12 PARTY CONFERENCE FOR PROSPECTIVE CANDIDATES, TORY LEADER HEATH WARNED THAT UK FACES GRAVE ECONOMIC DIFFICULTIES AND OUTLINED PARTY'S ECONOMIC PROGRAM FOR PARLIAMENTARY ELECTION ANTICIPATED LATER THIS YEAR. THE ECONOMIC PACKAGE, DESIGNED TO ATTRACT POLITICAL MODERATES AND THE MIDDLE CLASS AT THE EXPENSE OF THE TORY RIGHT WING, STRESSES PRICE STABILIZATION, A VOLUNTARY INCOMES POLICY WHICH WOULD BE MADE MANDATORY AS A LAST RESORT, INCOME PROTECTION, INVESTMENT INCENTIVES, A POSSIBLE RATE (LOCAL TAX) REDUCTION AND MORTGAGE ASSISTANCE. END SUMMARY.

2. CONSERVATIVE LEADER HEATH KEYNOTED CONFERENCE, WARNING PROSPECTIVE CANDIDATES THAT UK FACES "THE GRAVEST ECONOMIC CRISIS" SINCE WWII AND THAT SACRIFICES WILL BE LIMITED OFFICIAL USE

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REQUIRED IN YEARS AHEAD TO OVERCOME THIS CHALLENGE. HE

ALSO SAID IT WOULD BE UNREALISTIC TO EXPECT INCREASED STANDARD OF LIVING IN NEXT TW YEARS, BUT PLEDGED TO PROTECT MIDDLE INCOME GROUPS AND THOSE LIVING ON STATE BENEFITS.

3. SHADOW CHANCELLOR CARR AUGUST 12 DESCRIBED COMPREHENSIVE PRICE STABILIZATION PROGRAM TO BE PURSUED OVER NEXT THREE OR FOUR YEARS, SHOULD CONSERVATIVES WIN PARLIAMENTARY ELECTION EXPECTED THIS FALL. THREE MAJOR ELEMENTS OF PROGRAM ARE: RESTRAINTS ON PAY, PRICES, PUBLIC EXPENDITURES AND BORROWING; INCOME PROTECTION; AND ENCOURAGEMENT OF PRIVATE INVESTMENT AND PRODUCTION. PARTY WILL SEEK TO IMPLEMENT VOLUNTARY PRICES/INCOMES POLICY, BUT WILL RESORT TO MANDATORY POLICY IF NECESSARY. PUBLIC EXPENDITURES WILL NOT BE INCREASED SIGNIFICANTLY FOR NEXT YEAR OR TOW, AND HEALTH AND HOUSING INCREASES WILL BE OFFSET BY SAVINGS OR ADDITIONAL TAXATION. CARR EXPLICITLY REJECTED CREATION OF LARGE SCALE UNEMPLOYMENT THROUGH EXTREMELY STRINGENT MONETARY POLICY, WHICH IS SOLUTION FAVORED BY SOME RIGHT WING TORIES TO RESOLVE INFLATION PROBLEM (PRESS REPORTED HE SAID, "SOME OF THE MONETARY ENTHUSIASTS MAKE ME SHIVER IN MY SHOES"). HE CHARACTERIZED SUCH AN APPROACH AS SELF-DEFEATING, BUT ACKNOWLEDGED THAT FISCAL AND MONETARY RESTRAINT WOULD PLAY VITAL SUPPORTING ROLE IN TORY PROGRAM.

4. TO SAFEGUARD INCOMES, CARR PROMISED SEMI-ANNUAL ADJUSTMENTS TO PENSIONS AND SIMILAR BENEFITS, INFLATION-PROOF SAVINGS PLAN AND INDEXATION OF INCOME TAX AND EARNINGS, E.E. ADJUSTING BOTH FOR THE LEVEL OF INFLATION FOR THE PRIVATE SECTOR HE PROMISED "CASH AND CONFIDENCE" NOTING CONSERVATIVE VICTORY WOULD REMOVE THREAT OF NATIONALIZATION AND ASSURE POLICIES ALLOWING "REASONABLE PROFITS AND TAXES." ECHOING HEATH, HE CAREFULLY NOTED THAT ECONOMIC PROBLEMS CANNOT BE CURED PAINLESSLY OR IN SHORT TIME.

5. EARLIER SHADOW ENVIRONMENT MINISTER MARGARET THATCHER OUTLINED MEASURES ON HOUSING AND RATES DESIGNED TO HELP MIDDLE AND LOWER-MIDDLE INCOME GROUPS. SHE COMMITTED LIMITED OFFICIAL USE

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TORY GOVERNMENT TO PROVIDE NEW INCENTIVES AND BENEFITS FOR HOME BUYERS, AND TO EXAMINE OPERATION OF BUILDING SOCIETIES CLOSELY. ON RATES SHE VOICED DISSATISFACTION WITH PRESENT SYSTEM AND PROMISED TORIES WOULD ASSUME ADDITIONAL TEACHERS' SALARY COSTS AND CONSIDER ASSUMING THOSE FOR POLICE AND FIREMEN, THUS RELIEVING LOCAL GOVERNMENTS (AND PRESUMABLY RATE PAYERS) OF THIS BURDEN. IN THIS REGARD, CARR NOTED THAT LOCALITIES WOULD NOT BE

FREE TO SPEND FREED INCOME AT WILL, IMPLYING THAT ALL OR PART OF SAVINGS WOULD BE RETURNED TO RATE PAYERS.

6. COMMENT: PROPOSED ECONOMIC PROGRAM, AS REPORTED OVER WEEKEND, IS CLEARLY DESIGNED TO ATTRACT POLITICAL MODERATES AND MIDDLE INCOME GROUPS. BY REJECTING A STRICT MONETARIST APPROACH TO CONTROLLING INFLATION, PARTY LEADERSHIP REBUFFED THE TORY RIGHT WING WHICH HAS BEEN LOUD IN ITS SUPPORT FOR SUCH AN APPROACH, NO DOUBT CONCLUDING THAT IT IS FAR MORE IMPORTANT TO ATTRACT THE MODERATES THAN APPEASE THE ULTRA-CONSERVATIVES WHO, IN ANY EVENT, HAVE NO PLACE ELSE TO GO. THE NETTLESOME QUESTION OF MANDATORY PRICES/INCOMES POLICY WHICH WAS SUCH A MAJOR FACTOR IN THE FEBRUARY ELECTION, WAS GRASPED WITH THE GREATEST OF CAUTION. CARR STRESSED THAT A TORY GOVERNMENT WOULD MAKE EVERY POSSIBLE EFFORT TO ACHIEVE VOLUNTARY AGREEMENT ON WAGES BEFORE RESORTING TO STATUTORY CONTROLS. WHILE MANY DETAILS OF THE CONSERVATIVE ECONOMIC PROGRAM MUST STILL BE FILLED IN, ITS BROAD OUTLINE WOULD APPEAR ATTRACTIVE TO THE TARGET AUDIENCE.
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